agricultural situation

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ECONOMICS, STATISTICS, AND COOPERATIVES SERVICE
U.S. DEPARTMENT OF AGRICULTURE

A NEW ERA IN SINO-AMERICAN RELATIONS

From President Nixon's surprise visit in 1971 to the dramatic announcement by President Carter in mid-December, there's been one fairly predictable element in U.S.-China relations: unpredictability.

But these events are now history. For the future, the recent recognition of the People's Rebublic of China (PRC) removes a major barrier to closer ties and sets the stage for a more stable and predictable era in Sino-American relations. Full diplomatic relations between the two nations were officially established on January 1, and China's Vice Premier, Teng Hsiao-ping, is scheduled to visit the U.S. in late January.

Closer political relations are likely to accelerate the strengthening of U.S. commercial ties with the world's most populous nation. During the past year, the move toward increased trade with China has been rapidly gaining momentum—with agriculture as the leading growth sector.

In the past, when it came to selling farm products to the PRC, the United States played second fiddle to most other exporters. China made large purchases from us only when its total imports were high or when supplies were unavailable from traditional suppliers at desired delivery dates, quantities, or prices. This has made for great variation in our agricultural sales.

But in 1978/79 we may well take over top spot since we're in a position to end up supplying close to half of China's grain imports. USDA is currently projecting these at 13 million metric tons, a new record, and over 50 percent above

the previous high of 8.6 million tons set in 1977/78.

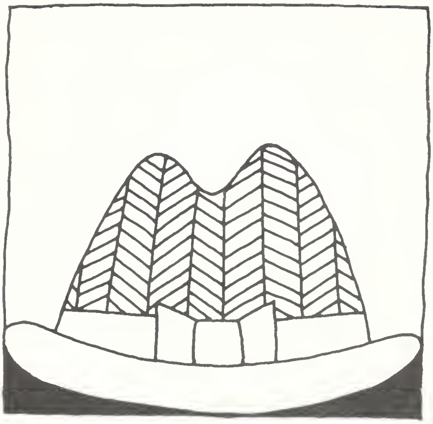
After 3 years of buying only non-U.S. wheat, China has been buying American this year, with purchases of 158 million bushels from us since April 1978. By mid-December, commitments for imports of U.S. corn since April totaled 114 million bushels, and further purchases from the United States or other sources are expected in order to maintain the flow of grain at least until China's 1979 crop harvest. PRC purchases are expected to account for nearly a tenth of all U.S. cotton exports during the 1978/79 marketing year.

Early evidence that China's foreign policies were swinging in the direction of expanded trade came from China's increasing use of buying missions that have been traveling extensively; the large number of technical missions that have been abroad or have been invited to China; a strong emphasis on learning Western technology; and the dispatching of students abroad for the first time in years.

Secretary of Agriculture Bob Bergland, who visited China in November, indicated the Chinese could become regular and significant buyers of U.S. grains and cotton in the years ahead.

China also requested USDA assistance in making contracts with American manufacturers of agricultural equipment and supplies. Some of the most promising areas are farm machinery and chemicals, and the equipment and technology for seed processing, animal feed production, food processing, and agricultural plastics. An agreement was reached to exchange teams in these fields as well as a team to study economic information and statistical systems.

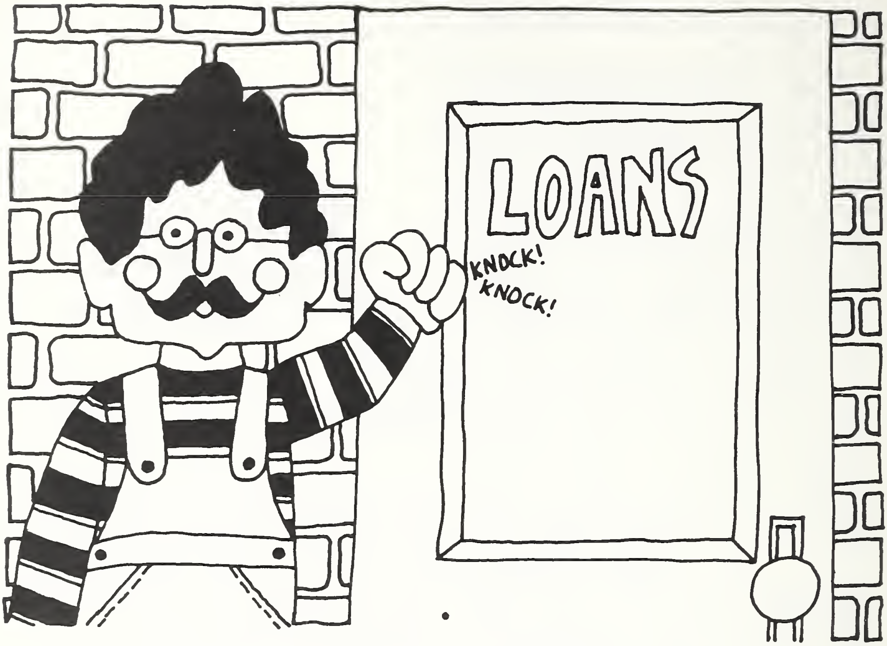
China's particular interest in U.S. technologies for feed manufacturing and broiler and pork production could generate considerable demand for feedstuffs. U.S. officials



note that an annual 1-pound-per-person increase each in the consumption of chicken and pork would mean China would have to grow or buy an additional 107 million bushels of corn and soybeans each year.

It seems apparent that in its commitment to modernization in agriculture and other sectors of its economy, China is willing to turn increasingly to Western technology and is taking a more liberal view of credit and foreign development assistance. In addition, rising demand for agricultural products is virtually inevitable with an expansion in the livestock sector, rising wages, and a population that grows by about 15 million people a year.

In light of closer diplomatic ties with the U.S., all this suggests an expanding and more predictable Chinese market for U.S. agricultural products. However, it should be remembered that China has limited buying power and is likely to give priority to industrial goods and technology. Also, as the world's largest producer of rice and second or third largest of wheat, corn, and sorghum, China is primarily an exporting nation when it comes to agricultural products and, in fact, is seeking to rebuild some lost markets.



CREDIT OUTLOOK: GOOD OR BAD

First the good news about the credit outlook: Agricultural lenders are more confident about the future, largely because of sharp improvement in farm income during 1978. Loan refusals are reported to be down from a year ago, repayment rates have improved, and delinquencies have declined.

Now the bad news: Inflation is pushing interest rates upward, as well as other farm expenses. These increases come at a time of renewed vitality in the farm real estate market and heavy loan demand.

Thus, the credit outlook for 1979 pretty much boils down to generally adequate loan funds at somewhat higher interest rates than a year ago.

The improvement in credit availability over the crunch of a year ago stems partly from the fact that country bankers are learning to live with higher loan-to-deposit ratios than in the past. Government lending has also helped.

Farmers have benefited from a large influx of lending from the Commodity Credit Corporation, Farmers Home Administration (FmHA), and Small Business Administration. Emergency and disaster loan programs of these agencies accounted for 40 percent of the $7 billion expansion in non-real estate credit in 1978.

Although production credit associations will have no problem obtaining loan funds, the high loan-to-deposit ratios of commercial banks already appear to be causing problems in some areas. However, many of these problems may be

eased by the new FmHA economic emergency loan program which has been allocated \$2½ billion for October 1978-September 1979.

The sharp jump in 1978 net farm income is restoring vigor to the farm real estate market. With improved cash flows, borrowers are apparently finding it easier to repay loans.

Farmland values are expected to increase 12 percent during the 12 months ending next February. These higher land prices, along with increased land transfers, assure strong demand for farm real estate loan funds into 1979. Loan demand increased during the second half of 1978, but lenders reported that adequate funds were available for land purchases.

Of course, borrowers are concerned about higher interest rates as well as credit availability. So far, the rising short-term money rates have had the most impact on commercial banks, which may be charging close to 10 percent on farm loans in early 1979. The combination of high interest rates, the hike in the discount rate, and the high loan-to-deposit ratios are causing some shift away from commercial banks to other lenders.

Federal land banks, even though they obtain a good portion of their loan funds from short-term money markets, have a variable interest rate program. The variable rates allow them to spread higher costs for funds across all their borrowers and, thus, lessen the impact on borrowers with new loans. This helps smooth out short-term ups and downs.

Increased interest charges by life insurance companies in 1978 have been based more on the higher rates borrowers are willing to pay to obtain loans than on a shortage of funds. However, current rates charged by life insurance companies and Federal land banks are still lower than in 1976.

LAND VALUES STILL CLIMBING

Farm real estate values are expected to climb about 12 percent during the year ending February 1, 1979, continuing to make land the major contributor to farmers' equity growth.

However, while the higher land values are a plus for the owners, the higher price tags pose real problems for producers seeking to expand as well as for those just starting out.

The current increase in the rate of appreciation in farmland values is largely due to the 30-percent increase in annual net farm income before inventory adjustment presently forecast for 1978.

Additional factors operating in the farm real estate market include:

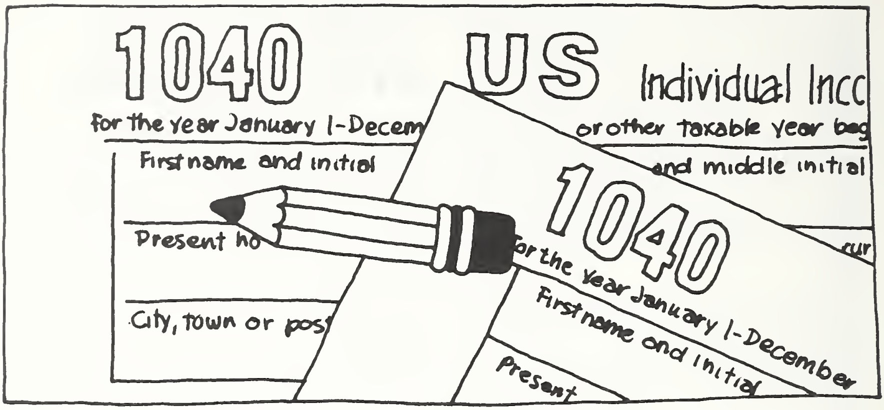
Some farm enlargers are willing to accept a lower return per acre in order to earn a higher total net farm income.

Doubtless, too, some buyers are looking for net farm income to return to 1973-76 levels, when high food and feed grain prices made for record earnings.

Lastly, farmland's track record as an excellent hedge against inflation is probably encouraging some people to buy without paying sufficient attention to present or future justification of prices based on net farm income.

Land value changes during the 1970's have so outpaced the change in total net farm income that it has become common to separate the return on investment into that derived by the income generating power of the land and that derived from appreciation in land values.

On a national basis, throughout the last 20 years, there has generally been a 2-percent annual increase in land values for every 1-percent increase in the consumer price index.



NEW TAX BREAKS FOR FARMERS

Farmers and ranchers are well served by the Revenue Act of 1978, signed into law on November 7. Besides tax cuts and other changes favoring individual taxpayers and businesses in general, agriculture receives tax breaks in a few key areas.

Farmers should give some thought to tax planning for the year ahead. While the new law may offer the most to medium-sized and larger enterprises, as well as expanding operations, just about everyone will feel some easing of the tax bite. Just how much a farmer or rancher can benefit depends on whether he operates with an eye on taxes.

Because of the complexity of the new law, this article will deal only with the investment tax credit provisions as they relate to agriculture. If any provisions seem to apply to a particular situation, a tax advisor should be consulted for professional insight. Although the interpretations presented here were carefully checked for accuracy, future rulings of the Internal Revenue Service (IRS) cannot be anticipated.

To help encourage investment in productive assets, such as machinery and equipment, the new tax law retains the 10-percent investment credit rate. The credit is figured based on the investment cost, or the qualifying portion of it. The rate had been scheduled to drop to 7 percent by January 1, 1981.

The limit on the cost of newly acquired, used productive assets that can qualify for the 10-percent investment credit will remain at $100,000 for any one year, instead of declining to $50,000. This means a maximum credit on your tax return of $10,000 (10 percent of $100,000) for all used property placed in service during the year.

There is no limit on expenditures for new productive assets eligible for the credit. However, total investment credit in 1978 is limited to the lesser of (1) a producer's tax liability, or (2) $25,000 plus 50 percent of the liability over $25,000. For tax years ending in 1979, the percentage of tax liability over $25,000 that can be offset by credit increases to 60 percent and then by

10 percentage points each year until 1982 when it will reach a permanent 90 percent.

Thus, a qualifying investment expenditure in 1978 of $300,000 on new equipment and machinery, all with a useful life of 7 years or more, would entitle a farmer to a $30,000 (10 percent of $300,000) tax credit. However, to take the entire credit on a 1978 tax return, a producer would have to show a tax liability of at least $35,000 so that the first $25,000 of his liability plus 50 percent (or $5,000) of the additional liability over $25,000 would equal his credit.

Remember, credits are subtracted from tax liability, not income. Although they cannot exceed the liability, excess credits can be carried back to the 3 preceding tax years, and the balance still unused in those years can be carried forward to the 7 succeeding tax years.

To qualify for an investment tax credit, property must be depreciable, be used in business, and have a useful life of at least 3 years (7 years for full credit).

Farm machinery and vehicles (even automobiles used in farm work), livestock (except horses), fences for livestock, paved barnyards, grain storage bins, corn cribs, silos, gas storage tanks, and water wells for livestock are some examples of property that usually is, and has been, eligible for the credit. Land doesn't qualify.

Also, buildings and their structural components (walls, windows, central heating and air conditioning systems) generally remain ineligible, but the new law makes some important exceptions:

One of the most significant changes in the investment tax credit for agriculture is its extension for the first time of certain farm buildings. By specifically making newly built greenhouses, milking parlors, swine confinement buildings, poultry houses, and the like eligible for the investment credit, the new law settles a long-running debate between farmers and the IRS.

To be eligible for the credit, a livestock structure must be specifically designed, constructed, used, and equipped for the housing, raising, and feeding of livestock. This includes facilities to breed hogs, to produce milk from dairy cows, or to produce feeder cattle or pigs, broilers, or eggs.

Greenhouses must be specifically designed, constructed, and used for the commercial production of plants. The same rules apply to specialized structures for producing mushrooms.

Also, the structure must be used only for the qualifying purpose. It does not qualify, for example, if part of it is used for selling produce or for storing feed or equipment. And if any part of the building is later converted from its specified qualifying use, the IRS may recapture the credit previously granted.

With such requirements, professional advice may be necessary to make sure that a given investment qualifies.

Although this credit was made retroactive to tax years ending after August 15, 1971, IRS regulations allow an amended return to be filed no more than 3 years after the original deadline or 2 years after the tax was paid, whichever is later. The exception: If any year back to 1971 remains an "open year" because an individual was in a dispute with IRS and waived the statute of limitations, he may still be able to claim a refund for that year based on this provision.

For farmers who have been expanding—like many broiler and turkey producers, for example—this new credit extension may mean an additional tax break and a fresh incentive. Or it may help producers

make decisions about future expansion. The tax credit will not only partially offset the cost of new facilities, but should also be considered in figuring the prospective return on investment.

As a bonus to all businesses—but with seemingly wide application to agriculture—the new law extends tax credit eligibility to old buildings. For tax years ending after October 1978, capital expenditures made after that date in connection with rehabilitating buildings to be used for business or production are eligible for the credit, providing the structure has been in use for 20 years or more.

Residential housing rehabilitation doesn't qualify, nor do the costs of buying, completing, or enlarging a building.

Costs for renovating old barns or general storage buildings—as well as livestock and horticultural facilities—are eligible for the credit if the improvements have a useful life of 5 years or more and the other qualifications are met. However, no credit is allowed if more than 25 percent of the exterior walls are replaced.

Let's say the interior partitions and electrical wiring are replaced in a barn that's been in use at least 20 years. A $4,000 investment in these renovations could yield a $400 credit against taxes. Specific questions about whether an improvement on a farm building qualifies, however, should be checked with a tax advisor or the local IRS office.

Cooperatives are now entitled to claim an investment credit under basically the same rules that apply to corporations. Previously, patronage dividends had to be taken into account in figuring the tax credit on eligible investments. In general, the more of its net margins a cooperative paid out in patronage dividends, the more investment tax credit it lost. Now, a cooperative can take full advantage of the tax credit.

OLD FORMULA FOR COMPUTING A COOPERATIVE'S TAX CREDIT

$$\text{Normal 10\% Tax Credit} \times \frac{\text{Taxable Income}}{\text{Taxable Income} + \text{Patronage Dividends}} = \text{Tax Credit}$$

Example:

$$\$10{,}000 \times \frac{\$30{,}000}{\$30{,}000 + \$170{,}000} = \$1{,}500$$

For example, consider a cooperative with a $100,000 investment in qualified productive assets with a useful life of 7 years. If that cooperative had a taxable income of $30,000 and paid out $170,000 in patronage dividends, it would have been entitled to only a $1,500 tax credit on its investment last year (see illustration above). This year, using the same figures, the cooperative may take the full tax credit of $10,000 (10 percent of $100,000).

In a related change in tax credit provisions affecting cooperatives, unused credits cannot be carried over to the next tax year but must be allocated to members in the same proportion as the patronage dividends paid. Farmer-members, in turn, can apply the allocated credits to their own income taxes.

However, any recapture of credits because of sale or disposal of the investment asset before its estimated useful life is up will be required only from the cooperative—not its members.

The Energy Tax Act of 1978, enacted in mid-November, also provides significant benefits for business (as well as residential) investment in energy property.

The law offers a refundable business investment credit of 10 percent for new solar and wind energy equipment. (A refundable

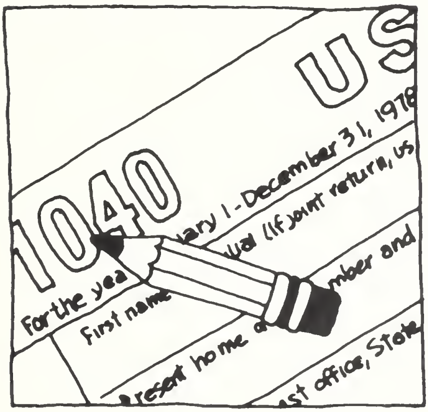
credit can be taken on a return even if it exceeds tax liability).

Some possible—though not yet common and not necessarily economically feasible—applications in agriculture include solar grain drying equipment, solar heated swine farrowing or poultry brooding facilities, and windmill powered irrigation in remote rural areas.

A nonrefundable 10-percent business investment credit is provided for other energy property, such as methane generators using farm waste.

Either of these credits can be taken in addition to the regular 10-percent investment tax credit as long as qualified energy property is also eligible for the other credit. Regulations for energy investment are now being written, and they will define standards for eligible equipment.

The *Farmer's Tax Guide, 1979 Edition* (publication 225), is available from local IRS offices. A complete discussion of the investment tax credit—and the changes made in the recent Revenue and Energy Tax Acts—is contained in IRS publication 572, *Tax Information on Investment Credit*, scheduled to be available from IRS early in February.



COMPUTING YOUR TAX CREDIT

The useful life of qualifying property is important in figuring the amount of your investment that's eligible for the tax credit. If the useful life is 3 or 4 years, only one-third of your investment cost is eligible for the credit; if the useful life is 5 or 6 years, two-thirds of your cost is eligible; if the useful life is 7 or more years, you're entitled to full credit.

Example: During 1978 you bought a used farm tractor, three milk cows, and a bull for breeding. The tractor cost $3,000 and has an expected useful life of 4 years. Each cow cost $600, has an expected useful life of 5 years, and had not been used for dairying before your purchase. The bull cost $1,400, has an expected useful life of 8 years, and had not been used for breeding.

Based on these investments, you would be entitled to deduct from your tax bill a 10-percent investment tax credit of $360 on a qualified investment of $3,600 ($1,000 or 1/3 of your tractor cost + $1,200 or 2/3 of your investment in the three cows + $1,400 or 100 percent of your cost for the bull). You would fill in the top of IRS form 3468 as indicated on the next page.

If you had sold or disposed of any of these investments during the year, it would not qualify for the tax credit. Also, if you had disposed of substantially identical livestock (defined by sex, age, and use) during the 1-year period beginning 6 months before your purchase of the cows or bull, you would have to subtract the amount you received (for the animals you sold) from your investment figure for the newly purchased livestock.

Another thing to remember in connection with useful life is the recapture rule. If you dispose of an

asset before the end of the estimated useful life you originally used in computing your credit, you must recompute the credit using the actual useful life (the time you owned it). You must then make up any difference between the credit you took and the recomputed credit.

Remember, if you are the sole owner of your farm and want to postpone the deadline for filing your tax return from March 1 to April 16, 1979, your key date is January 15. That's the last day for filing a declaration of estimated income tax and for paying the estimated tax. Corporate farms must file their income tax returns (or request an extension) by March 15. April 16 is the filing deadline for partnerships.

Form **3468** Department of the Treasury Internal Revenue Service

Computation of Investment Credit

▶ Attach to your tax return.

1978

Name JOHN A. ROWE — Identifying number as shown on page 1 of your tax return 000-00-0000

1 Use the format below to list qualified investment in new and used property acquired or constructed and placed in service during the tax year. Also list qualified progress expenditures made during the 1978 tax year and qualified progress expenditures made in 1974, 1975, 1976, and 1977 if you made the proper election prescribed in section 46(d)(6) for those tax years. If progress expenditure property is placed in service during the tax year, do not list qualified progress expenditures for this property. See instruction for line 1.

If you are claiming 100% investment credit on certain ships, check this block ▶ ☐. See instruction K for details.

Note: *Include your share of investment in property made by a partnership, estate, trust, small business corporation, or lessor.*

Type of property		Line	(1) Life years	(2) Cost or basis (See instruction G)	(3) Applicable percentage	(4) Qualified investment (Column 2 x column 3)
New property		(a)	3 or more but less than 5		33⅓	
		(b)	5 or more but less than 7	$ 1,800	66⅔	$ 1,200
		(c)	7 or more	1,400	100	1,400
Qualified progress expenditures	1974, 1975, 1976 and 1977	(d)	7 or more		20	
	1978	(e)	7 or more		80	
Used property (See instructions for dollar limits)		(f)	3 or more but less than 5	3,000	33⅓	1,000
		(g)	5 or more but less than 7		66⅔	
		(h)	7 or more		100	

2 Qualified investment—Add lines 1(a) through (h) (see instruction M for special limits)		3,600
3 10% of line 2		$ 360
4 7% (4% for public utility property) of certain property (see instructions M and N)		
5 Corporations electing the additional investment credit for contributions to Employee Stock Ownership Plans—Attach election statement (see instruction I and instruction for line 5)		
(a) Additional 1% credit—Enter 1% of line 2		
(b) Additional credit (not more than .5%)—Enter allowable percentage times adjusted line 2 (attach schedule)		
6 Carryback and carryover of unused credit(s)—Attach computation (see instruction F)		
7 Tentative investment credit—Add lines 3 through 6		
Limitation 8 (a) Individuals—Enter amount from Form 1040, line 37, page 2		
(b) Estates and trusts—Enter amount from Form 1041, line 27 or 28, page 1		
(c) Corporations—Enter amount from Schedule J (Form 1120), line 9, page 3		
9 (a) Credit for the elderly (individuals only)		
(b) Foreign tax credit		
(c) Tax on lump-sum distributions (see instruction for line 9(c))		
(d) Possession tax credit (corporations only)		
(e) Section 72(m)(5) penalty tax (individuals only)		
10 Total—Add lines 9(a) through (e)		
11 Subtract line 10 from line 8		
12 (a) Enter smaller of line 11 or $25,000. See instruction M for special limits. (Married persons filing separately, controlled corporate groups, estates, and trusts, see instruction for line 12.)		
(b) If line 11 is more than line 12(a) and your tax year ends in 1978, enter 50% of the excess (if your tax year ends in 1979, enter 60% of the excess). (Public utilities, railroads, and airlines, see instruction J.)		
13 Total—Add lines 12(a) and (b)		
14 Enter smaller of line 7 or line 13		
15 Subtract line 14 from line 11		
16 Enter energy property credit from line 3 of Schedule B (Form 3468)		
17 Enter smaller of line 15 or line 16 (if there is no entry on line 16, enter zero)		
18 Total Investment Credit—Add lines 14 and 17. Enter here and on Form 1040, line 41; Schedule J (Form 1120), line 10(b), page 3; or the appropriate line on other returns		

Schedule A **If any part of your investment in line 1 or 4 above was made by a partnership, estate, trust, small business corporation, or lessor, complete the following statement and identify property qualifying for the 7% or 10% investment credit.**

Name (Partnership, estate, trust, etc.)	Address	Property: Progress expenditures	New	Used	Life years
		$	$	$	

If property is disposed of prior to the life years used in figuring the investment credit, see instruction E. Form **3468** (1978)

U.S. FARMLAND: HOW MUCH IN FOREIGN HANDS?

Foreign investors haven't exactly been on a shopping spree for U.S. farmland, despite the fact that the devaluation of the U.S. dollar does give them something of a discount in our farm real estate markets.

Sales of U.S. farmland to foreign investors amounted to less than one-tenth of 1 percent of our farmland total between January 1, 1977, and June 30, 1978, according to a special study USDA was asked to undertake for the Senate Committee on Agriculture, Nutrition, and Forestry.

In round numbers, that means that foreign investors acquired nearly 840,000 acres of farm and ranch land, of which about 342,000—40 percent—was cropland.

These data translate into an annual foreign purchase rate of about a half million acres for farmland and a quarter million for cropland. And at these rates, it would take about 19 years for foreigners to acquire ownership of an additional 1 percent of U.S. farmland, and just over 20 years to acquire ownership of an additional 1 percent of U.S. cropland.

Twenty States accounted for the majority of land transfers to foreigners. Oregon was first in acreage sold, followed by Texas, Georgia, Louisiana, and Arkansas.

FINDING THE FOREIGN BUYERS

More questions about the extent of foreign ownership of U.S. farmland will soon be answered as a result of a special study mandated by Congress.

In the last few years, concern about foreign investment—not only in agriculture—has been increasing along with the flow of U.S. dollars overseas for oil and other imports.

More recently, the devaluation of the dollar, which boosts the buying power of many foreign currencies, has added to that concern.

Although estimates of foreign ownership suggest that the concern may be unwarranted, the basic questions have not been answered: How much U.S. farmland is owned by foreigners? What effect does foreign investment have on U.S. family farms and rural communities?

USDA will try to answer these questions from registration forms filled out by foreign owners of U.S. agricultural land, required by the Agricultural Foreign Investment Disclosure Act of 1978 (AFIDA). AFIDA was signed into law on October 14, 1978, and is effective now.

Anyone who is not a U.S. citizen—including individuals, corporations, and other entities—who owns any U.S. agricultural land, or has a significant interest in it, must report that holding to USDA. That includes foreigners who convert

land to agricultural uses after purchase, and U.S. landowners who become foreign citizens.

Additionally, AFIDA requires that persons filing a report disclose not only their interest in U.S. farmland, but also the legal nature of that interest. In this way, the ultimate owner will be named, even if there are several layers of agents or "dummy" corporations between the ultimate owner and the land.

Security interests such as mortgages, secured loans, and judgment liens need not be reported.

USDA is still in the process of working out the regulations and reporting procedures. For instance, some minimum may eventually be set on the size of holdings to be reported. Right now any holding, no matter how small, must be reported.

Also, AFIDA's basic definition of agricultural land—which encompasses all land used for agricultural production, forestry, or timber—will be refined further.

USDA's agricultural land registration system is similar to a Commerce Department reporting requirement on assets of large foreign investors, including real estate. Foreign owners of U.S. land will be asked to report in both surveys.

However, while participation in the Commerce Department's reporting system is voluntary, reporting to USDA is required by law. Civil penalties in the form of fines up to 25 percent of the assessed value of the farmland may be imposed on any individual or company which knowingly fails to report foreign ownership of U.S. agricultural land.

AFIDA calls for an analysis of impacts of foreign investment on family farms and rural communities. A report on these findings will be issued to the President and Congress. At that point, it will be decided if any legislative or administrative actions are needed.

DIVVYING UP THE FOOD BILL

Farmers received about $67 billion out of the total $207 billion consumers spent for U.S. farm foods in 1978.

The farm value was up 17 percent from 1977's $57 billion, the first significant average increase since 1973. About three-fourths of the gain was due to higher livestock product prices. Sharp increases also occurred in the farm value of fresh fruits and cereal and bakery products.

Farm values will climb further in 1979, but barring highly unusual developments, the rise shouldn't be anywhere close to 1978. A 7½ percent rise now seems most likely, though it could range anywhere between 5 and 10 percent because of the usual uncertainties surrounding commodity markets.

Raw farm commodities have, over time, become a smaller proportion of total food expenditures.

On the average, the farmer's share of expenditures for domestically produced farm food sold in grocery stores is now about 40 percent.

For total food expenditures, including foods consumed away from home and foods which do not originate on U.S. farms, the farm value is a much smaller share—about 26 percent.

The price tag for processing, wholesaling, distributing, and retailing U.S. farm foods totaled about $140 billion in 1978, up about 9 percent from the year before.

Labor charges are the largest component of the bill and, in fact, have topped the farm value of U.S.-produced foods since 1977. At an estimated $66 billion in 1978, labor charges will do so again this year.

Per capita consumption of food products in 1978 remained near 1977.

Briefings

RECENT REPORTS BY USDA OF ECONOMIC, MARKETING, AND RESEARCH DEVELOPMENTS AFFECTING FARMERS.

WINTER WHEAT FORECAST . . . Growers seeded 51.5 million acres of winter wheat in the fall of 1978 for harvest in 1979, 8 percent more than a year ago. Based on December 1 conditions, USDA's Crop Reporting Board forecast 1979 crop production at 1.44 billion bushels—up 15 percent from 1978. Rye growers planted 3.08 million acres in the fall of 1978, compared with just under 3 million acres a year earlier.

BETTER SERVICE TO FARMERS . . . USDA has consolidated the transportation activities in the Department into a new Office of Transportation. Secretary Bob Bergland said the new unit—drawn from six different agencies within USDA—will provide better service to farmers and reduce duplication of efforts. The Office of Transportation will handle most USDA transportation matters, including agricultural and rural development transportation policy and the review, coordination, and evaluation of USDA transportation programs. It will also represent USDA in dealings with other government agencies.

COUNTING BLUEBERRIES . . . USDA's Crop Reporting Board has started publishing blueberry production estimates for Maine, Michigan, New Jersey, North Carolina, Oregon, and Washington. These six States produce about 95 percent of the U.S. commercial blueberry crop. Estimates of 1978 harvested acreage, yield, production, utilization, and farm prices will be published January 15 in the Noncitrus Fruits and Nuts annual summary. Production forecasts for 1979-crop blueberries in North Carolina and New Jersey will appear in the June 1979 Crop Production report. The July 1979 Crop Production report will carry early-season forecasts for the other four States.

FUTURE RAILCAR NEEDS . . . Increasing domestic and foreign demand for U.S. grain points out the need to improve the Nation's railcar transportation system, according to a new USDA study. The study estimates that 116 million tons of grain will move by rail by 1985—a 12-million-ton increase over 1977 when a serious grain car shortage occurred. If railroads maintain their present share of off-farm grain movement, they would need an additional 17,000 covered hopper cars to carry this load.

RECORD FINANCING . . . The Farmers Home Administration reported that its loans and grants for rural development during the October 1977-September 1978 year reached a record $11.1 billion, 55 percent above the previous year's level. Nearly $5 billion of that total went for farm loans, including $3.6 billion to farmers and ranchers hit by natural disasters or economic emergencies. Housing loans accounted for another $3.7 billion of the total, $1.3 billion went for community facilities improvement, and more than $1 billion was used for business-industrial financing.

WHO OWNS THE LAND? . . . Private individuals and corporations own about 60 percent of the 2.3 billion acres of U.S. land, while the rest is owned by Federal, State, and local governments and American Indians, according to a USDA report. About 7 to 8 million farm, ranch, and forest owners hold close to 95 percent of all privately held land, while the 2 percent of U.S. land used for housing is owned by between 47 and 58 million people. Commercial, industrial, recreational, and other uses account for the remaining 3 percent. Single copies of *Facts About U.S. Landownership* (AIB-422) are available free by writing ESCS Publications, room 0054 South Building, USDA, Washington, D.C. 20250.

UPLAND COTTON PROGRAM PROVISIONS . . . The 1979 upland cotton National Program Acreage (NPA) was announced in mid-December at 10,634,181 acres. The voluntary acreage reduction from 1978 plantings was set at 15 percent. The NPA is an estimate of the number of acres needed to meet domestic requirements and export demand and still provide the desired carryover. It may be revised later, but it cannot be reduced below the statutory minimum of 10 million acres. Deficiency payments will be made if the average cotton price for 1979 falls below the target price set by the Secretary of Agriculture. Producers who voluntarily reduce their 1979 upland cotton acreage by at least 15 percent will receive payments on their entire planted acreage. Others will receive deficiency payments subject to the allocation factor (NPA divided by the estimated national harvested acreage) times their planted acreage.

FOOD PRICES AROUND THE WORLD . . . The boneless sirloin steak that cost $3.02 a pound in Washington, D.C., on November 1 sold for $15.87 in Tokyo and 92 cents a pound in Brazilia, Brazil. A pound of bacon went for $4.69 in Paris, $1.53 in Pretoria, South Africa, and $1.96 in Washington. A dozen eggs: $2.09 in the capital of Denmark, 60 cents in Mexico City, and 84 cents in Washington, These are some of the findings of USDA agricultural attaches who compare food costs every other month in 16 world capitals.

Statistical Barometer

Item	1976	1977	1978—latest available data	
Agricultural Trade:				
Agricultural exports ($bil.)	23	[1]24	2.7	October
Agricultural imports ($bil.)	11	[1]13	1.2	October
Farm Food Market Basket:[2]				
Retail cost (1967=100)	175.4	179.2	205.1	October
Farm value (1967=100)	177.8	178.1	217.4	October
Farmer's share of retail cost (percent)	38	38	40	October
Hogs and Pigs:				
Hogs and pigs on farms, Dec. 1 (mil.)	53.9	54.5	55.1	December
Kept for breeding (mil.)	8.4	8.7	8.8	December
Market (mil.)	45.5	45.8	46.3	December
Sows farrowing, Sept.-Nov. (mil.)	2.9	2.9	3.2	December
Pig crop, Sept.-Nov. (mil.)	20.6	21.0	23.0	December
Pigs per litter, Sept.-Nov. (no.)	7.1	7.2	7.2	December
U.S. Farms:				
Number (thous.)[3]	2,738	2,706	2,672	December
Total land in farms (mil. acres)[3]	1,078	1,075	1,072	December
Average farm size (acres)[3]	394	397	401	December
Number (thous.)[4]	2,454	2,409	2,370	December
Total land in farms (mil. acres)[4]	1,509	1,055	1,052	December
Average farm size (acres)[4]	432	438	444	December
Agricultural Prices:				
Prices received by farmers for all products (1967=100)[5]	188	188	203	
Prices paid by farmers for commodities and services, interest, taxes, and wage rates (1967=100)[5]	191	202	215	

[1]Preliminary.
[2]Average annual quantities per family and single person households bought by wage and clerical workers, 1960-61, based on Bureau of Labor Statistics figures.
[3]Places of 10 or more acres with annual farm product sales of $50 or more and places of less than 10 acres selling $250 or more.
[4]Places with annual farm product sales of $1,000 or more.
[5]January-June.

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